

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7519

BILL NUMBER: HB 1450

DATE PREPARED: Jan 8, 2001

BILL AMENDED:

SUBJECT: Textbook Credit.

FISCAL ANALYST: David Hoppmann

PHONE NUMBER: 232-9559

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 2001	FY 2002	FY 2003
State Revenues			
State Expenditures		37,977,842	38,123,775
Net Increase (Decrease)		(37,977,842)	(38,123,775)

Summary of Legislation: This bill requires the State to pay the first \$50 of textbook and materials expenses that would otherwise be billed to a student or parent, guardian, or custodian of a student for textbooks and materials for the 2001-2002 and 2002-2003 school years.

Effective Date: Upon passage.

Explanation of State Expenditures: The Department of State Revenue (the Department) would likely experience an increase in administrative expenses fulfilling the requirements of this bill. The Department would be required to reimburse the cost of the first \$50 of rental fees and other costs to school corporations and to accredited nonpublic schools (per pupil) after the school corporation grants the credit to the parent, guardian, or custodian of the eligible student.

For the 1999-2000 school year, enrollment for public and accredited nonpublic schools totaled 1,027,940 students. For the same school year, 274,187 of those students were reimbursed by the Department of Education for a portion of the costs incurred to provide classroom instructional materials such as textbooks. In accordance with the provisions of this bill, free and reduced lunch students who are eligible for textbook reimbursement by the State would not be eligible for the \$50 textbook and materials credit described above. *Textbook Credit-* This analysis is based on the total public and accredited nonpublic enrollment for the 1999-

2000 school year, minus the students who were reimbursed during that same year for textbooks and other instructional materials, and then projected forward to the 2001-2002 and 2002-2003 school years.

Therefore, for the purposes of this credit, public and accredited nonpublic enrollment for the 1999-2000 school year totaled 753,753 students (1,027,940 - 274,187). For the 2001-2002 and 2002-2003 school years, respectively, enrollment is projected to total 759,557 and 762,475 students.

For FY 2002 and FY 2003, textbook fees and other costs are projected to range from \$63 to \$100 per pupil. School corporations and accredited nonpublic schools would account for the remaining differences of \$13 [\$63-\$50] and \$50 [\$100-\$50] via the funding sources described below.

Additional expenditures for the State for the credit are estimated to total \$37.9 M for FY 2002 and \$38.1 M for FY 2003. This bill appropriates from the state General Fund the amount necessary to pay claims submitted for this credit.

Potential Impact on the TANF Block Grant Program- A \$50 textbook and materials credit may impact the Temporary Assistance for Needy Families (TANF) program. States are required to meet a specified maintenance of effort (MOE) level in order to qualify for the federal TANF block grant of about \$206 M annually. Indiana's annual TANF MOE obligation is \$121 M. The Family and Social Services Administration (FSSA) meets this obligation by expending state funds appropriated for this purpose and by claiming expenditures from other state agencies that meet the purposes and requirements of eligible TANF MOE expenditures.

FSSA has been able to include as MOE about \$8 M of the state expenditure for textbooks for free and reduced lunch students because it is an expenditure targeted at the low-income population. However, because the proposed textbook credit program is targeted at the general student population which would make it (as interpreted via TANF regulations) “generally available to other residents of the State without cost and without regard to their income”, a percentage of the state expenditure will not likely qualify as an MOE expenditure, thus requiring either additional expenditures in another program or reclassification of existing, but unidentified, expenditures as MOE. (The reclassified funds, if qualifying, must also demonstrate an increase in expenditures from the TANF base year. Only the increase in funds can be included as meeting the TANF MOE requirement. This is the reason FSSA cannot count the entire \$16.8 M textbook expenditure described above as MOE.) Actual aggregate MOE expenditures for FY 1998 through FY 2000 and the proposed MOE expenditures in FY 2001 totaled \$121 M annually - the level of Indiana's MOE obligation.

The cost to the State could increase by up to \$8 M per fiscal year more than the direct costs of the credit described above (after excluding the first \$50 for all free and reduced lunch students before calculating how much applies to the TANF MOE) if additional expenditures in another program are required. However, reclassification of existing, but unidentified, expenditures could mitigate the net increase.

Background - School corporations currently pay for textbooks using textbook rental fees, proceeds from the sale of used textbooks, state reimbursement of textbooks for children who qualify for the Federal Free and Reduced Lunch Program, and financial assistance from township trustees. As proposed by this bill, school corporations would be eligible to use a state credit of \$50 per student in addition to the above sources.

Nonpublic schools would also be eligible to use a state credit of \$50 per student in addition to funding sources which include state reimbursement of textbooks for children who qualify for the Federal Free and Reduced Lunch Program.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: See Explanation of State Expenditures.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: School Corporations, Accredited Nonpublic Schools.

Information Sources: DOE ORACLE Data Tables.